



GOVERNOR ARNOLD SCHWARZENEGGER

January 13, 2006

The Honorable Michael O. Leavitt
Secretary of Health and Human Services
U. S. Department of Health and Human Services
200 Independence Avenue, S.W.
Washington, DC 20201

Dear Mr. Secretary,

We write today to express our deep concern over the initial implementation of the new Medicare Part D prescription drug benefit. We want to work cooperatively with you to ensure that the nearly one million Californians who are dually eligible for Medicare and Medi-Cal have access to the prescription drugs that are essential to maintaining their health. The individuals are among the most vulnerable of Medi-Cal beneficiaries - they are either seniors or disabled persons - many with physical or mental disabilities, all of whom have few resources or income.

Our residents are having difficulties accessing their prescription drugs. As a result, we are triggering state programs to provide temporary, emergency coverage of prescription drug benefits for the nearly one million Californians who are dually eligible for Medi-Cal and Medicare. We recognize the difficult task facing the staff at the Centers for Medicare and Medicaid Services (CMS) during this initial transition. The creation of a new program of this size is a monumental task, but the unprecedented movement of these one million dual eligibles to the new Medicare drug program on one calendar day appears to have overwhelmed the CMS and drug plan systems.

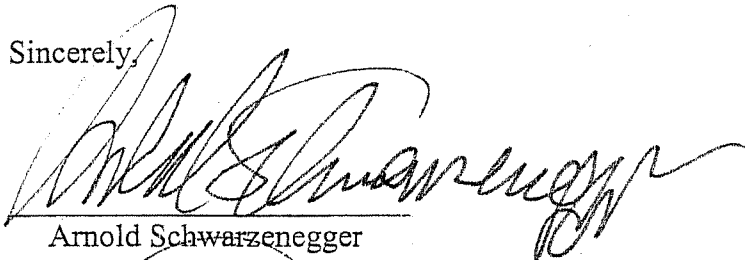
As you know, CMS has been assuring states and beneficiaries that mechanisms were in place to ensure that during the transition no dual eligibles would go without their needed medications. While your staff reports that error rates have declined from 90 percent to 20 percent, this is still unacceptable. Too many Californians are unable to get the prescription drugs they need to stay alive. Pharmacies are being overloaded with administrative responsibilities while trying to clarify patients' eligibility and enrollment information so they can bill the drug plans for services provided. The drug plans are not answering the phone calls coming in and are not resolving a large number of the

problems people are facing. We receive daily reports of beneficiaries in great distress because they have been unable to obtain their medications or are mistakenly required to pay significant fees in order to fill a prescription. In short, the transition is not functioning as CMS intended for some of the dual eligible population, and as a result, beneficiaries are being denied access to lifesaving medications they need.

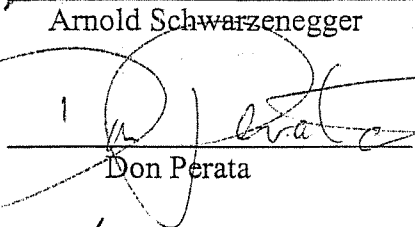
We would like to work with the federal government so that a temporary automated system can immediately be implemented to have Medicare pay for drugs for dual eligibles who are unable to obtain medications due to the transition problems. As you can appreciate, such a process would allow pharmacies to be paid for prescription medications using their normal billing system without the need for either the pharmacy or the beneficiary to make calls to either Medicare or the Medicare drug plan. This will allow Medicare patients to continue to have access to their needed medications while the new program's implementation problems are being addressed. This is critical to ensure that the burden of this implementation does not fall upon those patients who are least able to handle a loss of their medications.

We intend to work closely and cooperatively with you and the Congress to ensure that beneficiaries receive the medications they need and the law intends. In addition, we call on the federal government to work with the State of California to ensure that the costs incurred by California taxpayers for this temporary expenditure are reimbursed. In the meantime, we will continue to assist your efforts to implement the Medicare Modernization Act to protect and care for our most vulnerable residents.

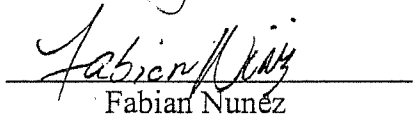
Sincerely,



Arnold Schwarzenegger



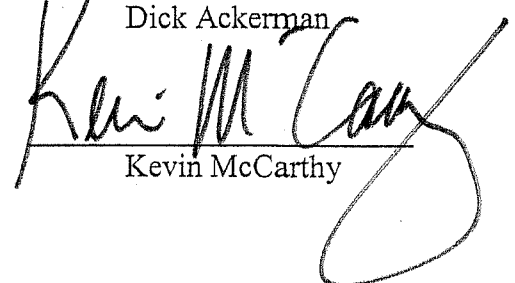
Don Perata



Fabian Núñez



Dick Ackerman



Kevin McCarthy

cc: California Congressional Delegation